

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 15, 2019**  
**Staff Report**  
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A***  
***QUALIFIED RESIDENTIAL RENTAL PROJECT***

*Prepared by: Richard Fischer*

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| <b>Applicant:</b> | <b>California Statewide Communities Development Authority</b> |
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| <b>Allocation Amount Requested:</b> |             |
| <b>Tax-exempt:</b>                  | \$4,500,000 |

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|--|----------------------------------|
| <b>Project Information:</b>            |                                  |
| <b>Name:</b>                           | <b>Courtyards at Penn Valley</b> |
| <b>Project Address:</b>                | 10491-10533 Broken Oak Court     |
| <b>Project City, County, Zip Code:</b> | Penn Valley, Nevada, 95946       |

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|-------------------------------------|---|
| <b>Project Sponsor Information:</b> |   |
| <b>Name:</b>                        | Penn Valley 2 LP (Penn Valley 2 GP, LLC and Nevada County Housing Development Corporation)  |
| <b>Principals:</b>                  | Danielle Curls Bennett, Nicole Lewis and Deanna Curls for Penn Valley 2 GP, LLC; Jennifer Price for Nevada County Housing Development Corporation |
| <b>Property Management Company:</b> | FPI Management, Inc.  |

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|---------------------------------------|---|
| <b>Project Financing Information:</b> |   |
| <b>Bond Counsel:</b>                  | Orrick, Herrington & Sutcliffe LLP                |
| <b>Private Placement Purchaser:</b>   | Bonneville Mortgage Company/Hunt Capital Partners |
| <b>Cash Flow Permanent Bond:</b>      | Not Applicable                                    |
| <b>Public Sale:</b>                   | Not Applicable                                    |
| <b>Underwriter:</b>                   | Not Applicable                                    |
| <b>Credit Enhancement Provider:</b>   | Not Applicable                                    |
| <b>Rating:</b>                        | Not Applicable                                    |
| <b>TEFRA Noticing Date:</b>           | March 8, 2019                                     |
| <b>TEFRA Adoption Date:</b>           | March 26, 2019                                    |

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|---|--------------------------------|
| <b>Description of Proposed Project:</b> |                                |
| <b>State Ceiling Pool:</b>              | Rural                          |
| <b>Total Number of Units:</b>           | 42                             |
| <b>Manager's Units:</b>                 | 1 Unrestricted                 |
| <b>Type:</b>                            | Acquisition and Rehabilitation |
| <b>Population Served:</b>               | Family                         |

Courtyards at Penn Valley Apartments is an existing project located in Penn Valley on a 4.85-acre site. The project consists of 41 restricted rental units and 1 unrestricted manager unit. The project has 16 two-bedroom units and 26 three-bedroom units. Building exterior renovations will consist of wood trim replacement, roof replacement, window replacements and a fresh coat of paint. Individual apartment units will be updated with a new kitchen appliance package, countertops, cabinets, fixtures, paint and electrical updates. Lastly, common or site area renovations will consist of concrete path repairs, asphalt replacement and ADA updates. The rehabilitation is expected to begin in August 2019 and will be completed in March 2020.

### Description of Public Benefits:

**Percent of Restricted Rental Units in the Project:** 100%  
12% (5 units) restricted to 50% or less of area median income households.  
88% (36 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2 & 3 bedrooms

The proposed project will not be receiving service amenity points.

### Term of Restrictions:

**Income and Rent Restrictions:** 55 years

### Details of Project Financing:

|   |    |           |   |
|---|----|-----------|---|
| <b>Estimated Total Development Cost:</b>      | \$ | 8,915,363 |   |
| <b>Estimated Hard Costs per Unit:</b>         | \$ | 42,912    | (\$1,802,295 /42 units including mgr. unit) |
| <b>Estimated per Unit Cost:</b>               | \$ | 212,271   | (\$8,915,363 /42 units including mgr. unit) |
| <b>Allocation per Unit:</b>                   | \$ | 107,143   | (\$4,500,000 /42 units including mgr. unit) |
| <b>Allocation per Restricted Rental Unit:</b> | \$ | 109,756   | (\$4,500,000 /41 restricted unit)           |

#### Sources of Funds:

|                          | Construction        | Permanent           |
|--------------------------|---------------------|---------------------|
| Tax-Exempt Bond Proceeds | \$ 4,000,000        | \$ 4,000,000        |
| Tranche B Financing      | \$ 500,000          | \$ 0                |
| Taxable Bond Proceeds    | \$ 1,025,000        | \$ 0                |
| LIH Tax Credit Equity    | \$ 440,000          | \$ 2,521,602        |
| Deferred Developer Fee   | \$ 0                | \$ 93,832           |
| Deferred Costs           | \$ 900,434          | \$ 0                |
| Seller Carryback Loan    | \$ 425,000          | \$ 425,000          |
| HCD Loan                 | \$ 1,379,929        | \$ 1,379,929        |
| NCHDC Loan               | \$ 195,000          | \$ 195,000          |
| Existing Reserves        | \$ 50,000           | \$ 50,000           |
| NOI During Rehab         | \$ 0                | \$ 250,000          |
| <b>Total Sources</b>     | <b>\$ 8,915,363</b> | <b>\$ 8,915,363</b> |

#### Uses of Funds:

|   |                     |
|---|---------------------|
| Land Cost/Acquisition                             | \$ 4,100,000        |
| Rehabilitation                                    | \$ 1,979,376        |
| Relocation  | \$ 37,800           |
| Contractor Overhead & Profit                      | \$ 108,360          |
| Architectural Fees                                | \$ 109,387          |
| Survey and Engineering                            | \$ 15,000           |
| Construction Interest and Fees                    | \$ 763,598          |
| Permanent Financing                               | \$ 76,000           |
| Legal Fees  | \$ 105,000          |
| Reserves  | \$ 290,000          |
| Appraisal   | \$ 10,000           |
| Hard Cost Contingency                             | \$ 208,774          |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 114,502          |
| Developer Costs                                   | \$ 997,566          |
| <b>Total Uses</b>                                 | <b>\$ 8,915,363</b> |

**Analyst Comments:**

None

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**Legal Questionnaire:**

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

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**Total Points:**

53.1 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$4,500,000 in tax-exempt bond allocation.

**ATTACHMENT A**

**EVALUATION SCORING:**

| Point Criteria   | Maximum Points Allowed for Non-Mixed Income Projects | Maximum Points Allowed for Mixed Income Projects | Points Scored |
|--|--|--|---------------|
| Preservation Project   | 20   | 20   | 0             |
| Exceeding Minimum Income Restrictions:   | 35   | 15   | 26.1          |
| Exceeding Minimum Rent Restrictions<br>[Allowed if 10 pts not awarded above in Preservation Project] | [10]   | [10]   | 10            |
| Large Family Units   | 5  | 5  | 5             |
| Leveraging   | 10   | 10   | 10            |
| Community Revitalization Area  | 5  | 5  | 0             |
| Site Amenities   | 10   | 10   | 0             |
| Service Amenities  | 10   | 10   | 0             |
| New Construction or Substantial Renovation   | 10   | 10   | 0             |
| Sustainable Building Methods   | 10   | 10   | 2             |
| Forgone Eligible Developer Fee<br>(Competitive Allocation Process Only)                              | 10   | 10   | N/A           |
| Minimum Term of Restrictions<br>(Competitive Allocation Process Only)                                | 10   | 10   | N/A           |
| Negative Points (No Maximum)   | -10  | -10  | 0             |
| <b>Total Points</b>  | <b>140</b>   | <b>120</b>                                       | <b>53.1</b>   |